

QUT Digital Repository:
<http://eprints.qut.edu.au/>



Tooley, Stuart and Hooks, Jillian (2009) *Public accountability : the perceived usefulness of School Annual reports*. In: 23rd ANZAM Conference 2009: Sustainable management and marketing, 1-4 December 2009, Southbank, Melbourne.

© Copyright 2009 Please consult the authors.

Public Accountability: The Perceived Usefulness of School Annual Reports

Stuart Tooley

School of Accountancy Queensland University of Technology, Brisbane, Australia

Email: stuart.tooley@qut.edu.au

Jill Hooks

School of Accountancy Massey University, Auckland, New Zealand

Accepted for Presentation at:

23rd Annual Australian and New Zealand Academy of Management Conference, 1-4 December,

Melbourne, Australia

Public Accountability: The Perceived Usefulness of School Annual Reports

ABSTRACT

Annual reports are an important component of New Zealand schools' public accountability. Through the annual report the governance body informs stakeholders about school aims, objectives, achievements, use of resources, and financial performance. We examine the perceived usefulness of the annual report in the discharge of public accountability. We find that 15% of the recipients (mainly parents/caregivers) do not read the annual report because they trust in the school to do the right thing or rely on others to monitor school activities. We find that the annual report is used for a variety of purposes including to determine if the school has conducted its activities effectively and achieved stated objectives and goals; to examine student achievements; to assess financial accountability and performance; and to make decisions about the school as a suitable environment for their child/children. We find that other forms of communication such as school newsletters, parent-teacher interviews, children and other parents are more important sources of information about the school than the annual report.

Keywords: public accountability, school annual reporting, New Zealand.

Schools are a significant sector in the New Zealand (NZ) economy and a substantial user of state (taxpayer) funds which arguably requires an account be given on how and for what purposes the resources available to schools are used. One official instrument for the reporting of performance, as set out in the Education Act 1989, is the requirement for schools' boards of trustees to prepare and present an annual report. A school annual report commonly comprises both descriptive information about the school and its educational endeavours and achievements, and the audited general purpose financial statements. The annual report provides the basis for a dialogue with constituencies who are interested in the performance of the school. Although a school's annual report is not the only source of information about performance (for example, school newsletters and parent-teacher interviews), the premise of this study is that the annual report is, nevertheless, an important component of the overall public accountability framework that allows a school to legitimise its performance to those to whom it is accountable.

Previous studies, located within the broader public sector context, have found a relatively low usage of public sector annual reports and conclude that citizens and other broadly defined stakeholders are

generally disinterested in such publicly available reports (for example, Coy et al., 1997; Hay, 1994; Lee, 1999; Mack et al., 2001). Walker (1995) suggests that the lack of interest could be attributable to a perception of limited relevance of information in the annual report as a basis for judging performance. Despite such reservations on the observed usefulness of annual reports, the conventional view of annual reporting is that it is a purposive, functional activity directed towards meeting users' information needs. However, and as cautioned by Gray (1984), there may be a tendency to overemphasise the functionality of the traditional annual report in the discharge of accountability. Although the school annual report is a statutory requirement and thus a primary and formalised medium of accountability, other mediums of communication may have more relevance to specific stakeholders and therefore achieve greater acceptance as a means of demonstrating accountability. Therein lies the aim of this study. Specifically, we seek to ascertain the perceived usefulness of the school annual report to recipients and to examine the accountability role of the report in general, and of specific content.

The paper proceeds as follows. The next section will outline the theoretical framework within which the study is grounded. The remaining three sections will describe the research design, report the results, discuss the implications of the findings and detail the limitations of the study.

THEORETICAL FRAMEWORK

Within the framework of the NZ compulsory schools sector¹, the notion of accountability is based on the concept that school boards of trustees are stewards of the resources provided to them locally and by the state. A stewardship relationship begins when the resources and related responsibilities are accepted by the school and accountability exists in the context of this relationship (Mulgan, 2000). Stakeholder theory extends the scope of accountability beyond the relationship between owners (the state) and managers (Boyne et al., 2002; Gray, Meek & Roberts, 1995; Mitroff, 1983; Mulgan, 2004; Wynne, 2004) and determines that the manager (school principal/school board of trustees) is not merely the steward of the

¹ Schooling is compulsory for NZ children aged between their sixth and sixteenth birthdays (Years 1-15).

state but also of employees, students, parents and society as a whole. This extends the concept of stakeholders beyond those with whom the school has a contractual relationship and acknowledges that all individuals are in some way stakeholders in the organisation's activities (Freeman, 1984) and that the interests of those stakeholders are "of intrinsic value" (Shankman, 1999, p.323). In this research stakeholders are those who can affect or are affected by the achievement of the schools' objectives (Freeman, 1984) or persons who can impact or be impacted by the school (Brenner, 1995).

Arguably, and within the NZ education setting, the compulsory nature of education provides a triple case for public accountability (Barro, 1970; Grobman, 1973; Scott, 1986). First, attendance at school is a legal requirement for students falling within a statutorily-defined age range. Likierman and Creasy (1985) suggested that this provides an example of where natural law implies a right or an entitlement to information (an account). Second, and as highlighted in the Report of the Taskforce to Review Education Administration (1988, para. 4.2.8), the compulsory school sector uses funds derived from taxes and the use of taxpayers' monies requires that an account be given on how and for what purposes the funds are used. The third case is concerned with those who are involved in governance. As elected officials, members of a school's board of trustees have an obligation to demonstrate their performance to the community they serve.

Accountability has traditionally been discharged through the publication of financial reports which contain useful information for interested stakeholders (Connolly & Hyndman, 2004). Such reports are the main means of communicating financial information about the school to third parties and so are fundamental to discharging accountability (Firth, 1979; Mack & Ryan, 2003; Walker, 1988). Miah (1990) noted that financial accountability is discharged when an entity reports in such a manner that financial viability is revealed, the costs of providing services are disclosed and the efficiency and effectiveness of operations can be assessed. However, accountability requires more than just financial information. It includes non-financial information and the evaluation of that information. According to Stewart (1984) while financial

language is important to accountability, if it is the only language, then the basis of accountability will be limited. Accountability therefore implies being liable to be called upon to account for that for which one is answerable within a wider context than the financial statements in the annual report (Devas & Grant, 2003; Gray et al., 1987; Hughes, 2000; Miah, 1990; Wallman, 1996). Coy and Dixon (2004, p.81) echo this view and assert that the discharge of public accountability requires “the reporting of comprehensive information about the condition, performance, activities and progress to all those with social, economic and political interests.” Within this context Gordon et al. (2002, p.237) argue that the duty to publicly report extends the scope of disclosure beyond the minimum required by law. Under public accountability, school annual reporting would be concerned with a wide range of sufficient and meaningful information, in both financial and non-financial terms, that enables stakeholders to obtain a comprehensive understanding of what the school is endeavouring to achieve and the progress being made, and to account for the ways it has used resources provided for the education of its students (Coy et al., 2001). Ultimately, public accountability “implies a willingness to endure public scrutiny, even an invitation for the public to scrutinize the behaviours of the organization’s leadership” (Lawry, 1995, p.175).

RESEARCH DESIGN

In order to pursue the research objectives a purposeful sample of 322 schools were invited to assist with the research. The sample was drawn from the Ministry of Education ‘Directory of Schools – as at 19 January 2007’. To ensure that a sufficient number of schools came from groups with different characteristics, the schools were selected on the basis of their school type², authority³, decile rating⁴ and school enrolment. A total of 84 schools agreed to assist⁵. The empirical evidence was collected from a questionnaire that was inserted by the participating schools in their annual reports, which were then made

² Full primary (years 1-6); intermediate (years 7-8); secondary (years 7-15); secondary (years 9-15); and composite (years 1-15).

³ Three broad categories of school authority exist – state-owned schools, state integrated schools (i.e. private schools that have joined the state system) and private schools. In this study only state owned and state integrated schools have been approached.

⁴ The rating given a school related to the economic and social factors of the local area.

⁵ 129 schools declined to assist and no response was received from 109 schools.

available to interested persons. A total of 218 questionnaires were returned from the recipients of annual reports distributed by 37 identifiable schools.

RESEARCH FINDINGS AND ANALYSIS

School Annual Report Recipients

Table 1 summarises the demographic data relating to the research participants who, given the method of questionnaire distribution, also constitute the school annual report recipients. Thirty-four percent of recipients suggested that they had ‘good’ or ‘substantial’ experience in reading annual reports while another 33 per cent indicated a ‘moderate’ level of experience in reading annual reports.

Table 2, Panel A, shows the primary relationship between the person receiving the annual report and the school. The number of recipients who identified a multiple relationship with the school and the nature of those relationships are summarised in Panel B. As evidenced there are a number of ‘stakeholders’ with an interest in school affairs. These include parents/caregivers, teachers, other school employees, school boards of trustees and the Ministry of Education. Most respondents (80%) identified their primary relationship with the school as being a parent or caregiver of students currently attending the school and 17 per cent were either employed at the school or were involved in a governance capacity. The wider interest of some respondents in school affairs is reflected in the 10 per cent of respondents who were both parent/caregiver and a member of the school Board of Trustees.

For the purposes of this study students and parent/caregivers who are neither a member of a school’s board of trustees nor involved in an administrative or teaching capacity, are identified as being dependent users (70% of respondents). Arguably this group of recipients are more reliant on the annual report as a source of information pertaining to school affairs than, for example, other groups of recipients such as government agencies, teachers, school principals and parent/caregivers who are also members of boards of trustees and/or involved with the school in an administrative or teaching capacity. Such non-dependent

users have extended opportunities to access, request and/or participate in internal information sharing forums.

Usefulness of School Annual Report

Although all respondents were in receipt of their associated school's annual report, 33 recipients (15% of all respondents) indicated that they did not read the annual report. Reasons given were based on a negative attitude towards the annual report as a vehicle for meeting their information needs, the large size of the document or a reliance on others to monitor school activities or raise awareness of items of parental/caregiver interest. Others trusted the school to do the right thing or relied on other information from the school to inform them of school matters. On the face of it, however, it appears that school annual reports are read by the majority of recipients which leads us to consider the perceived usefulness of the annual report and information disclosed therein.

As summarised in Table 3, respondents who read the annual report found it most useful for determining if the school had conducted its *activities effectively*. Arguably, this implies an accountability 'usefulness' emphasis on educational outcomes. The annual report is also used for financial accountability – *to determine that the school can meet its financial obligations, has adhered to the budget, has used public money appropriately, or to determine the likelihood of an increase in school fees and/or a need for local fund raising*. Determining *if the school has operated in the best interest of the community* is also a significant use of the annual report, and reinforces its public accountability orientation.

Factor analysis was undertaken to determine if the responses given by the reader-respondents could be reduced to a smaller number of variables reflecting some common themes⁶. The establishment of two

⁶ All variables listed in Table 3 were included and using the criteria of the eigenvalue greater than 1, the scree test, and whether the factors 'make sense', two factors were identified as being appropriate. The assumptions that need to be met for reliance on the results of the factor analysis, the determinant, Kaiser-Meyer-Olkin Measure of Sampling Adequacy and the Bartlett test of Sphericity, were all met in the analysis.

meaningful factors as shown in Table 4 enables further analysis of respondent views and a comparative analysis between the two broad user groups of ‘dependent’ and ‘non-dependent’. The results reported in Table 5 indicate that all user groups find the annual report most useful for accountability purposes and less useful for decision making. A statistically significant⁷ reduction in the overall usefulness of the annual report as a decision useful tool compared to an accountability function is detected for all user groups. Both dependent and non-dependent reader-respondent groups have similar views on the level of usefulness of the annual report as an accountability document; however, dependent reader-respondents rate the annual report as being more useful for decision making than non-dependent reader-respondents who would have access to other information sources to assist in decision making on school-related matters.

The importance of the school annual report relative to other media used by schools to disseminate information to interested parties varies. Table 6 reports the mean score for each source of information. Annual report recipients consider *school newsletters*, *formal parent-teacher interviews*, *own children* and *informal discussions with school personnel*, *other parents/caregivers/students* to be more important sources of information than the annual report. These primarily verbal communications may be more focused, timely and easier to comprehend than the written messages of the annual report. Arguably, *board of trustees meetings*, *school web site* and *newspapers and other media* are of lesser importance than the annual report as a source of information⁸. Dependent and non-dependent users hold a common view on the relative importance of the school annual report compared to other sources of information (consistently ranked 6th or 7th out of the 9 sources of information). Notably, however, there are some differences in views on the relative importance of other sources of information. Dependent recipients (primarily parents

⁷ For the purposes of this study the Wilcoxon Signed Ranks test is used and a statistically significant difference occurs at $p < 0.05$.

⁸ Although not reported, respondents were also requested to rank the mediums of information according to preference of source. As might be expected the nine sources of information were ranked in the same direction, with the exception of board of trustees meetings and school web site, with school newsletter the most preferred source of school-related information and disclosures through newspapers and other media the least preferred source of information.

and caregivers) rate more highly the importance of information sourced from their own children than do non-dependent recipients (primarily school management, administrators and teachers). For many parents and caregivers, there would be little direct and regular contact between themselves and the school and therefore their own children provide a key linkage. Non-dependent recipients rate the importance of board of trustees meetings more highly than dependent recipients. Arguably non-dependent recipients may have a greater understanding of the official functional role of the board of trustees not only in terms of its governance function, but also its representational role and associated accountabilities.

School Annual Report Content

Consistent with the perceived primary usefulness of purpose, that is, accountability for educational outcomes, Table 7 reports that the most important information identified by respondents for disclosure is whether the school is achieving its *objectives and goals*, followed by *student academic achievements* and the *Principal's report*. Information concerned with financial accountability is also strongly represented whereby the eight financial items have an average mean score of 3.77 and are considered more important than *the board of trustees report*, *background information* about the school, post-school *destinations* of students, student *non-cognitive information* and *student enrolment*.

Other items of information not included in the questionnaire list but identified by reader-respondents as worthy of disclosure include:

- Specification of curriculum goals (including an explanation of why these goals were selected, were they achieved and if not, why not).
- Rational commentary on the adequacy of government funding.
- Specification of pastoral care strategies and impact.
- Student performance compared to other local schools.

Factor analysis was undertaken to determine if the responses given by the reader-respondents could be reduced to a smaller number of variables reflecting some common themes. Using the same methods and criteria for determining the optimal number of factors as considered previously, four factors were identified. The factors that emerged and their associated variables are shown in Table 8. The results reported in Table 9 indicate that ‘all reader-respondent users’ find all categories of information important for disclosure. The results of a Friedman Test indicated that there was a statistically significant difference in the importance scores across the four factors, $\chi^2(3, n = 185) = 19.183, p < 0.001$. The post hoc Wilcoxon Signed Ranks test revealed a statistically significant difference ($p < 0.05$) in the level of importance for disclosure of financial performance information relative to the importance scores of financial expenses, student-centred and overview information⁹. Information about financial performance is perceived by all users to be the most important information in the annual report. The relative importance of financial performance information reflects the findings in recent research. In particular, financial statements are considered to be useful to stakeholders (Connolly & Hyndman (2004); budget compared to actual information is of high importance (Boyne et al., 2002; Mack & Ryan, 2004) and operating results are of high importance (Tayib et al., 1999).

The data was further partitioned to reflect the relative importance placed by each user group on information categorised within each of the four factors. The results of the Friedman Test for both dependent reader-respondent users and non-dependent reader-respondent users found a statistically significant difference in scores across all four factors ($\chi^2(3, n = 124) = 7.956, p < 0.05$; $\chi^2(3, n = 61) = 21.826, p < 0.001$; respectively). Statistically, dependent reader-respondent users placed more importance on financial performance and relatively less importance on overview information ($z = -2.65, p = 0.008$)¹⁰. Non-dependent reader-respondent users were more hierarchical in their views on the relative importance

⁹ Financial Performance / Financial Expenses, $z = -2.935, p = 0.003$; Financial Performance / Student-Centred, $z = -2.808, p = 0.005$; Financial Performance / Overview, $z = -4.782, p = 0.000$.

¹⁰ Financial Expenses / Student-Centred, $z = -1.718, p = 0.086$; Financial Expenses / Financial Performance, $z = -1.769, p = 0.077$; Financial Expenses / Overview, $z = -0.944, p = 0.345$; Student-Centre / Financial Performance, $z = -0.460, p = 0.645$; Student-Centred / Overview, $z = -1.991, p = 0.046$.

of each of the factors. A significant difference was detected between all factor means with the exception of student-centred and overview information¹¹.

The mean factor scores of the two reader-respondent user groups (dependent and non-dependent) provide information about the relative importance of annual report information. Both user groups hold similar views on the importance for disclosure of student-centred information although non-dependent users rate this item as the least important disclosure. Non-dependent users place more importance on financial performance than dependent users ($p < 0.01$) and rate overview material such as the Board of Trustees' report and the Principal's report more highly than the dependent users do, possibly reflecting their input into the preparation of these reports.

CONCLUDING COMMENTS

The public accountability of schools acknowledges the rights of the community as a whole to reports that convey a picture of the school's educational endeavours and achievements, and the stewardship of resources under its control. In the context of this research the information is provided in the school's annual report which is distributed to those who have a legitimate interest in the school. It includes both financial and non-financial information and is the most comprehensive document available to parents and interested parties. This study, by conducting an empirical analysis, has attempted to contribute to our understanding of the role of the annual report as an accountability medium in the context of NZ schools.

The results support the notion that the school annual report has a useful, but perhaps overemphasised role as a source of information in the discharge of accountability. The finding that the annual report is most commonly used to determine if the school has conducted its activities effectively, can meet its financial

¹¹ Financial Expenses / Student-Centred, $z = -2.352$, $p = 0.019$; Financial Expenses / Financial Performance, $z = -2.588$, $p = 0.010$; Financial Expenses / Overview, $z = -2.268$, $p = 0.023$; Student-Centre / Financial Performance, $z = -4.073$, $z = 0.000$; Student-Centred / Overview, $z = -0.322$, $p = 0.747$; Financial Performance / Overview, $z = -4.343$, $p = 0.000$.

obligations and has adhered to budget is indicative of its usefulness for accountability purposes. It therefore assists in the assessment of efficiency and effectiveness which requires a variety of financial and non-financial information (Sherer & Kent, 1983). Efficiency relates to outputs achieved from inputs and effectiveness relates to the extent to which parents/caregivers feel their needs are being satisfied. In this sense, the annual report serves a monitoring purpose. The annual report is also used for decision making purposes primarily as a basis for assessing the appropriateness of the school for children to attend. These aspects exemplify the evaluation aspect of accountability which leads to informed actions and rational judgements made on the basis of the information supplied. In the context of this research, evaluation is an important role of the annual report.

Other findings of this research have implications for policy makers, and account preparers, and concern the role of the school annual report as a source of information. We find that the annual report is not read by 15% of the respondents mainly because they rely on other people or alternative media to inform them of school activities. Moreover, other media such as newsletters and parent-teacher interviews, respondents' own children, other parents/children, and discussions with school personnel are considered by respondents who do read the annual report to be more important sources of information. This indicates that public accountability may be discharged more effectively through media other than the annual report. Therefore, and despite the rhetoric surrounding the requirement for school annual reporting that openly acknowledges the accountability of schools to the Government and the community, the annual report does not seem to play a leading role as a conduit through which the school is able to enter into dialogue with its constituencies. While there are statutory requirements specific to information required by the Ministry of Education, some parents find the size of the annual report daunting and that considerable time commitment is required to gain an understanding of its contents. It would appear imperative that policy makers review the functional role of the school annual report which is a costly document to produce. Further, school managers need to engage alternative means to communicate sufficient and meaningful information in the discharge of public accountability.

A limitation to this research concerns the manner in which users of school annual reports have been identified in this research. The empirical evidence was collected from a questionnaire that was inserted in annual reports which were then made available to interested persons. This self selection of individuals (that is, those persons who had sufficient interest and willingness to participate in the research) may represent a biased portion of the wider school annual report user population. Further, given the uncertainty about what constitutes the population of potential school annual report recipients caution needs to be exercised in the interpretation of data as it would be inappropriate to view the data as being statistically representative and generalisable to the broader population of school annual report recipients. Nevertheless, the data provides informative insights into an under-developed area of research. The receipt of 218 completed questionnaires is comparable to other public sector studies of annual report users. For example, Coy et al. (1997) received 260 completed questionnaires to their user study of New Zealand tertiary education institutions and in a US study of users of governmental financial reports Jones et al. (1985) received 201 valid responses.

References

- Barro SM (1970) An approach to developing accountability measures for the public schools, *Phi Delta Kappan* December: 196-205.
- Boyne G, Williams J, Law J and Walker R. (2002) Plans, performance information and accountability: the case of best value, *Public Administration* 80(4): 691-710.
- Brenner SN (1995) Stakeholder theory of the firm: Its consistency with current management techniques, in Nasi J (Ed.), *Understanding Stakeholder Thinking*, 75-96. LSR-Julkaisut Oy, Helsinki.
- Connolly C and Hyndman N (2004) Performance reporting: a comparative study of British and Irish charities, *The British Accounting Review* 36: 127-154.
- Coy D, Dixon K, Buchanan J and Tower G (1997) Recipients of public sector annual reports: Theory and an empirical study compared, *The British Accounting Review* 29: 103-127.
- Coy D and Dixon K (2004) The public accountability index. Crafting a parametric disclosure index for annual reports, *The British Accounting Review* 36: 79-106.
- Coy D, Fischer M and Gordon T (2001) Public accountability: a new paradigm for college and university annual reports, *Critical Perspectives on Accounting* 12(1): 1-31.

Devas CN and Grant U (2003) Local government decision-making: citizen participation and local accountability: some evidence for Kenya and Uganda, *Public Administration and Development* 23: 307-316.

Firth M (1979) The impact of size, stock market listing, and auditors on voluntary disclosure in corporate annual reports, *Accounting and Business Research* Autumn: 273-280.

Freeman RE (1984) *Strategic Management: A Stakeholder Approach* (Pitman).

Gordon T, Fischer M, Malone D and Tower G (2002) A comparative empirical examination of extent of disclosure by private and public colleges and universities in the United States, *Journal of Accounting and Public Policy* 21(3): 235-275.

Gray R (1984) Uncharitable view of accounting, *Accountancy*, 84.

Gray SJ, Meek GK and Roberts CB (1995) International capital market pressures and voluntary annual report disclosures by U.S. and U.K. Multinationals, *Journal of International Financial Management and Accounting* 6(1): 43-68.

Gray R, Owen D and Maunders K (1987) *Corporate Social Reporting: Accounting and Accountability*, Prentice-Hall International, Englewood Cliffs, NJ.

Grobman H (1973) Accountability for what? in Ornstein AC (Ed) *Accountability for Teachers and School Administrators*, Fearon Publishers, California.

Hay D (1994) Who uses public sector external reports? An exploration, *Accounting Forum* 17(4): 47-65.

Hughes KE (2000) The value relevance of nonfinancial measures of air pollution, *The Accounting Review* 75(2): 209-228.

Jones DB, Scott RB, Kimbro L and Ingram R. (1985) *The needs of users of governmental financial reports*, Government Accounting Standards Board, Stamford, CT.

Lawry RP (1995) Accountability and nonprofit organizations: an ethical perspective, *Nonprofit Management and Leadership* 6(2) 216-253.

Lee J (1999) The reporting of economic infrastructure assets by public sector entities in New South Wales: An exploratory study, *Accounting, Auditing and Performance* 5(2): 17-39.

Likiermann A and Creasy P (1985) Objectives and entitlement to rights in government financial information, *Financial Accountability & Management* 1(1): 33-50.

Mack J and Ryan C (2003) The Perceived Importance of the Annual Report, Queensland University of Technology Working Paper No. 2003-011.

Mack J, Ryan C and Dunstan K (2001) Local government annual reports: Australian empirical evidence on recipients, Proceedings of APIRA 2001, Adelaide, Australia (Retrieved 29 September 2009 from:

http://www.commerce.adelaide.edu.au/research/aaaj/apira_2001/papers/Mack158.pdf)

- Miah NZ (1990) Towards improved financial reporting, *Australian Accountant* November: 60-69.
- Mitroff II (1983) *Stakeholders of the Organizational Mind*, Jossey-Bass Publishers, San Francisco.
- Mulgan R (2000) Comparing accountability in the private and public sectors, *Australian Journal of Public Administration* 59(1): 87-97.
- Mulgan R (2004) *Public sector reform in New Zealand: issues in public accountability*, Discussion paper Vol.04-03, Asia Pacific School of Economics and Government, The Australian National University.
- Report of the Taskforce to Review Education Administration (1988). *Administering for excellence*, Government Printer, Wellington.
- Scott N (1986) *Report on the Inquiry into the Quality of Teaching*, Education and Science Select Committee, House of Representatives, Wellington.
- Shankman NA (1999) Reframing the debate between agency and stakeholder theories of the firm, *Journal of Business Ethics* 19: 319-334.
- Sherer M and Kent D (1983) *Auditing and Accountability*, Pitman, Great Britain.
- Stewart JD (1984) The role of information in public accountability, in Hopwood A and Tomkins C (Eds) *Issues in Public Sector Accounting*: 2-34, Philip Alan Publishers Ltd, Oxford.
- Tayib M, Coombs H and Amin JRM (1999) Financial reporting by Malaysian local authorities: a study of the needs and requirements of the users of local authority financial accounts, *The International Journal of Public Sector Management* 12(2): 103-120.
- Walker M (1988) The information economics approach to financial reporting, *Accounting and Business Research* 18(70): 170-182.
- Walker R (1995) *Who reads annual reports?* Proceedings of the seminar on annual reporting in the NSW public sector: The best is yet to come, Report of the Public Accounts Committee, September: 19-28.
- Wallman S (1996) The future of accounting and financial reporting part II: the colorized approach, *Accounting Horizons* 10(2): 138-148.
- Wynne A (2004) Public sector accounting – democratic accountability or market rules? *Public Money & Management* 24(1): 5-7.

TABLES

Table 1: Recipient Demographics (frequency)

Gender (n = 218)			Age (n = 218)					
Male	Female	Unknown	< 20	21-30	31-40	41-50	50 <	Unknown
72	143	3	3	4	37	125	47	2
Experience in Reading Annual Reports (n = 217)								
Scale	1	2	3	4	5	Mean 3.04		
Responses	20	50	73	50	24			
Scale: 1 = no experience; 5 = substantial experience								

Table 2: Relationship between Annual Report Recipient and School (frequency)

Panel A: Primary Relationship between Annual Report Recipient and School (n = 218)				
Parent/Caregiver of Current Student	Parent/Caregiver of Prospective Student	Student from School	Government Agency	School Role
174	3	3	2	36
			Ministry of Education - Financial Advisor to Schools	Principal (8) Dep. Principal (4) Teacher (11) Governance (11) Administration (2)
Panel B: Multiple Relationships between Annual Report Recipients and School (n = 32)				
Parent and Board of Trustees	Parent and Administration	Parent and Volunteer	Parent and Teacher	Other
21	2	2	4	3

Table 3: Usefulness for Purpose of Annual Reporting (n = 185)

	Mean (ranked)
To determine if the school has conducted its activities effectively	4.14
To determine that the school can meet its financial obligations	3.88
To determine if the school adhered to budget	3.84
To determine if the school has operated in the best interest of the community	3.74
To determine if public money has been used appropriately	3.65
To decide whether to make comment on the educational programmes offered by the school	3.18
To determine the likelihood of increased school fees and/or the need for local fund raising	3.16
To decide whether or not to send my child to that school	3.07
To compare results with other similar schools	3.05

Scale: 1 = not useful; 5 = very useful.

Table 4: Identification of Usefulness of Purpose Factors and Variables

Factor	Variables
Accountability-usefulness	To determine if school adhered to budget To determine that the school can meet its financial obligations To determine if public money has been used appropriately To determine if the school has conducted its activities effectively
Decision-usefulness	To decide whether or not to send my child to that school To decide whether to make comment on the educational programmes offered by the school To compare results with other similar schools To determine the likelihood of increased school fees and/or the need for local fund raising To determine if the school has operated in the best interest of the community

Table 5: Mean Factor Scores for the Usefulness of Annual Reports by User Group

	Accountability Usefulness	Decision Usefulness	Between	
			Z stat	Sig
All Reader-respondent users (n = 185)	3.75	3.11	-7.68	0.00**
Dependent Reader-respondent users (n = 124)	3.65	3.20	-5.54	0.00**
Non-dependent Reader-respondent users (n = 61)	3.93	2.91	-5.29	0.00**
Between User Groups				
Z statistic	-1.88	-2.65		
Significance	0.06	0.01**		

** p <0.01

Table 6: Relative Importance of Annual Report (Mean)

	All (ranked) (n = 218)	Depend (n = 153)	Non-depend (n = 65)	Between	
				Z stat	Sig
School newsletters	4.56	4.51	4.69	-1.37	0.17
Formal parent-teacher interviews	4.56	4.53	4.65	-1.34	0.18
Own children	4.40	4.53	4.07	-3.21	0.00
Informal discussions with school personnel	4.00	3.88	4.27	-2.41	0.02
Personal contact with other parents/caregivers/students	3.89	3.76	4.21	-3.16	0.00**
School annual report	3.46	3.39	3.60	-1.31	0.19
Board of trustees meetings	3.29	2.88	4.31	-7.53	0.00**
School web site	3.25	3.12	3.56	-2.33	0.02*
Newspapers and other media	3.09	3.05	3.18	-0.85	0.40

Scale: 1 = not important; 5 = very important.

* p <0.05

** p < 0.01

Table 7: Importance of Content (n = 185)

	Mean(Ranked)
School performance in achieving objectives and goals	4.71
Student academic achievements	4.38
Principal's report	4.15
Actual financial performance compared to budgeted financial performance	3.99
Financial summary and analysis	3.98
Student extra-curricular achievements	3.96
Staff resources	3.95
Financial statements	3.87
Major capital works and development	3.85
Audit report	3.76
Library resources	3.72
Cost of learning resources	3.71
Cost of administration	3.63
Cost of property management	3.63
Student enrolment	3.62
Cost of locally raised funds	3.61
Board of trustees Chairperson's report	3.58
Non-cognitive information (e.g. suspension rates, behaviour, attendance)	3.52
Student destinations after leaving school	3.45
Contextual and background information about the school	3.42
Graphics and tables	3.41
Membership of the board of trustees	3.34

Scale: 1 = not important; 5 = very important.

Table 8: Identification of Importance for Disclosure Factors and Variables

Factor	Variables
1 – Financial expenses	Cost of administration Cost of property management Cost of learning resources Cost of locally raised funds Staffing resources Major capital works and development
2 – Student centred	Student academic achievements Student destinations after leaving school Student extra-curricular achievements Non-cognitive information Library resources Graphics and tables Student enrolment School performance in achieving objectives and goals
3 – Financial Performance	Financial summary and analysis Actual financial performance compared to budgeted financial performance Financial statements Audit report
4 – Overview	Board of trustees chairperson's report Membership of the board of trustees Principal's report Contextual and background information about the school

Table 9: Mean Factor Scores for the Importance for Disclosure by User Group

	Financial expenses	Student-centred	Financial Performance	Overview
All Reader-respondent users (n = 185)	3.55	3.51	3.72	3.40
Dependent Reader-respondent users (n = 124)	3.42	3.50	3.52	3.32
Non-dependent Reader-respondent users (n = 61)	3.80	3.52	4.11	3.58
Between User Groups				
Z statistic	-1.79	-0.62	-3.13	-0.93
Significance	0.07	0.54	0.00**	0.35

**p < 0.01